

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 805 Exemption from the Tax on Sales, Use, and Other Transactions for Solar Energy Systems
SPONSOR(S): Williams and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 1620

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Environmental Regulation Committee	_____	Kliner	Kliner
2) Finance & Tax Committee	_____	_____	_____
3) State Resources Council	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

The Florida Legislature exempted solar energy systems or any component thereof from state sales tax effective July 1, 1997. The bill will amend Florida Statutes to continue to exempt solar energy systems or any component thereof from sales tax until further action by the Florida Legislature.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower taxes: Solar companies do not have to register to pay sales tax, or file monthly and quarterly reports to the Department of Revenue. That means a great deal of time and effort can be avoided.

The bill does not appear to implicate any other of the House principles.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Solar Power Initiatives:

The Florida Energy Office (FEO), Department of Environmental Regulation (DEP), is the state's primary center for energy policy. In addition to developing and implementing Florida's energy policy, FEO coordinates all federal energy programs delegated to the state, including energy supply, demand, conservation, and allocation. In 2003, the FEO was transferred to the DEP.

According to the FEO, its solar strategy is to place solar in the midst of each energy decision in the state. The FEO has continued to emphasize the need to bolster the creation of the infrastructure needed to support the development and promotion of new and innovative techniques and technologies with solar-specific projects:

- Front Porch Sunshine Program – Under this program, the State is providing 150 solar water heaters to residents in 20 underserved communities throughout Florida. Florida enjoys the distinction of being the first in the nation to install solar energy technology in weatherized, low-income homes.
- SunSmart Schools Program –The program combines state funding with private partnerships to provide clean energy and science education. The electric power generated by the system will be used to power the schools' classrooms, with excess energy returned to the local power grid. The system will also provide an on site classroom for students to learn more about solar power and the benefits of energy conservation. Under this program, Florida is installing 29 solar electric systems in schools throughout the state.
- SunBuilt Program – SunBuilt is the latest program to expand solar energy technology in communities throughout Florida. A partnership between DEP, the Florida Home Builders Association and the Florida Solar Energy Research and Education Foundation, SunBuilt provides rebate checks to home builders who install solar hot water heaters in newly constructed homes. SunBuilt Builders are eligible to receive rebates for each solar equipped home constructed.

Solar Power Tax Incentives:

The Florida Legislature exempted solar energy systems or any component thereof from state sales tax effective July 1, 1997. According to the FEO, based on numbers supplied by the industry, the tax exemption benefits the industry in an amount of \$1.2 to \$1.3 million annually. The most popular systems purchased in the state in recent history have been solar swimming pool heaters. On average, approximately 14,000 to 15,000 solar swimming pool systems are installed in Florida annually, at a cost of \$3,000 to \$4,000 per unit depending on the pool's size. The next popular item is the solar home water heater system, the cost of which ranges between \$2,500 to \$3,500 per unit. Approximately 400 such units are installed annually.

It is important to note that only the hardware system is exempt from taxation, and for both the solar pool heater and solar hot water heater the average cost of the hardware is \$1,200. The remaining cost represents the labor for installation.

According to the DEP, the exemption helps Florida's solar industry, mostly small to moderate sized companies, internally with their operating costs. Because of the sales tax exemption, solar companies do not have to register to pay sales tax, or file monthly and quarterly reports to the Department of Revenue. That means a great deal of time and effort can be avoided. In addition to this, the sales tax exemption is a show of support, a positive message to consumers that the state is not taxing their decision to use solar energy.

Effect of Proposed Change

The bill will amend Florida Statutes to continue to exempt solar energy systems or any component thereof from sales tax until further action by the Florida Legislature.

C. SECTION DIRECTORY:

Section 1 Amends s. 212.08(7)(hh), Florida Statutes, removing language that calls for the repeal of the sales tax exemption for solar energy systems.

Section 2 Provides and effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

According to estimates provided to the FEO by the solar industry, the tax exemption represents savings to the industry of approximately \$1.2 to \$1.3 million annually.

2. Expenditures: None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.

2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Solar companies do not have to pay Florida sales tax on the systems they install, and solar companies do not have to register to pay sales tax, or file monthly and quarterly reports to the Department of Revenue. This results in a great deal of time and effort being avoided.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require cities or counties to spend funds or take actions requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other: None.

B. RULE-MAKING AUTHORITY:

No rulemaking authority is required to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

- A. HOUSE PRINCIPLES ANALYSIS:

- B. EFFECT OF PROPOSED CHANGES:

- C. SECTION DIRECTORY:

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

- E. FISCAL IMPACT ON STATE GOVERNMENT:
 - 3. Revenues:

 - 4. Expenditures:

- F. FISCAL IMPACT ON LOCAL GOVERNMENTS:
 - 3. Revenues:

 - 4. Expenditures:

- G. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

- H. FISCAL COMMENTS:

III. COMMENTS

- D. CONSTITUTIONAL ISSUES:
 - 1. Applicability of Municipality/County Mandates Provision:

 - 2. Other:

E. RULE-MAKING AUTHORITY:

F. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES